

# PERAC AUDIT REPORT



## Stoneham Contributory Retirement System

JAN. 1, 2000 - DEC. 31, 2003 / PERAC 03: 10-064-27



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

November 8, 2004

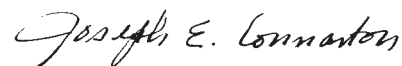
The Public Employee Retirement Administration Commission has completed an examination of the **Stoneham** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **2000** to December 31, **2003**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in Note 3 of this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There are no significant audit findings to report.

We commend the **Stoneham** Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner James Ryan who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



# Stoneham Retirement System

## STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2003**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>				
<b>ASSETS</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Cash	\$24,112	\$17,301	\$758,080	\$14,271
PRIT Cash Fund	730,421	800,409	80,559	797,299
PRIT Core Fund	40,619,861	33,177,742	37,194,827	39,989,908
Accounts Receivable	795,934	666,123	619,275	600,783
Accounts Payable	(817)	(2,799)	(4,274)	(6,483)
<b>TOTAL</b>	<b><u>\$42,169,512</u></b>	<b><u>\$34,658,776</u></b>	<b><u>\$38,648,467</u></b>	<b><u>\$41,395,778</u></b>
<b>FUND BALANCES</b>				
Annuity Savings Fund	\$9,873,669	\$10,229,486	\$9,632,942	\$9,594,530
Annuity Reserve Fund	5,432,654	4,561,930	4,605,616	4,085,146
Pension Fund	4,035,819	5,119,098	5,805,775	6,418,739
Military Service Fund	13,851	9,187	3,717	1,867
Expense Fund	0	0	0	0
Pension Reserve Fund	<u>22,813,519</u>	<u>14,739,075</u>	<u>18,600,417</u>	<u>21,295,496</u>
<b>TOTAL</b>	<b><u>\$42,169,512</u></b>	<b><u>\$34,658,776</u></b>	<b><u>\$38,648,467</u></b>	<b><u>\$41,395,778</u></b>

# Stoneham Retirement System

## STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2003**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2000)</b>	\$9,282,851	\$3,851,591	\$6,865,382	\$1,829	\$0	\$22,372,108	<b>\$42,373,761</b>
Receipts	1,005,607	117,121	2,756,675	38	332,975	(1,078,723)	<b>3,133,694</b>
Interfund Transfers	(630,816)	628,706	0	0	0	2,110	<b>(0)</b>
Disbursements	(63,112)	(512,273)	(3,203,318)	0	(332,975)	0	<b>(4,111,677)</b>
<b>Ending Balance (2000)</b>	<b>9,594,530</b>	<b>4,085,146</b>	<b>6,418,739</b>	<b>1,867</b>	<b>0</b>	<b>21,295,496</b>	<b>41,395,778</b>
Receipts	1,112,250	127,488	2,817,783	1,850	328,324	(2,695,079)	<b>1,692,615</b>
Interfund Transfers	(890,830)	890,830	0	0	0	0	<b>0</b>
Disbursements	(183,007)	(497,849)	(3,430,747)	0	(328,324)	0	<b>(4,439,927)</b>
<b>Ending Balance (2001)</b>	<b>9,632,942</b>	<b>4,605,616</b>	<b>5,805,775</b>	<b>3,717</b>	<b>0</b>	<b>18,600,417</b>	<b>38,648,467</b>
Receipts	1,066,611	135,671	2,950,727	7,285	303,768	(3,862,748)	<b>601,315</b>
Interfund Transfers	(353,090)	351,684	0	0		1,406	<b>0</b>
Disbursements	(116,977)	(531,042)	(3,637,404)	(1,814)	(303,768)	0	<b>(4,591,005)</b>
<b>Ending Balance (2002)</b>	<b>10,229,486</b>	<b>4,561,930</b>	<b>5,119,098</b>	<b>9,187</b>	<b>0</b>	<b>14,739,075</b>	<b>34,658,776</b>
Receipts	1,125,329	153,537	3,033,996	4,664	332,052	8,074,444	<b>12,724,023</b>
Interfund Transfers	(1,356,278)	1,356,278	0	0	0		<b>0</b>
Disbursements	(124,868)	(639,091)	(4,117,275)	0	(332,052)	0	<b>(5,213,287)</b>
<b>Ending Balance (2003)</b>	<b>\$9,873,669</b>	<b>\$5,432,654</b>	<b>\$4,035,819</b>	<b>\$13,851</b>	<b>\$0</b>	<b>\$22,813,519</b>	<b>\$42,169,512</b>

# Stoneham Retirement System

## STATEMENT OF INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2003**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Annuity Savings Fund:</b>				
Members Deductions	\$914,357	\$861,834	\$800,556	\$766,492
Transfers from other Systems	111,043	46,576	141,004	44,251
Member Make Up Payments and Redeposits	6,392	26,958	0	7,350
Member Payments from Rollovers	2,261	0	0	0
Investment Income Credited to Member Accounts	91,277	131,243	170,690	187,514
<b>Sub Total</b>	<b><u>1,125,329</u></b>	<b><u>1,066,611</u></b>	<b><u>1,112,250</u></b>	<b><u>1,005,607</u></b>
<b>Annuity Reserve Fund:</b>				
Investment Income Credited Annuity Reserve Fund	<u>153,537</u>	<u>135,671</u>	<u>127,488</u>	<u>117,121</u>
<b>Pension Fund:</b>				
3 (8) (c) Reimbursements from Other Systems	45,191	34,723	28,898	17,356
Received from Commonwealth for COLA and Survivor Benefits	226,804	222,004	272,885	287,319
Pension Fund Appropriation	2,762,000	2,694,000	2,516,000	2,452,000
<b>Sub Total</b>	<b><u>3,033,996</u></b>	<b><u>2,950,727</u></b>	<b><u>2,817,783</u></b>	<b><u>2,756,675</u></b>
<b>Military Service Fund:</b>				
Contribution Received from Municipality on Account of Military Service	4,575	7,232	1,814	0
Investment Income Credited Military Service Fund	89	52	35	38
<b>Sub Total</b>	<b><u>4,664</u></b>	<b><u>7,285</u></b>	<b><u>1,850</u></b>	<b><u>38</u></b>
<b>Expense Fund:</b>				
Investment Income Credited to Expense Fund	<u>332,052</u>	<u>303,768</u>	<u>328,324</u>	<u>332,975</u>
<b>Sub Total</b>	<b><u>332,052</u></b>	<b><u>303,768</u></b>	<b><u>328,324</u></b>	<b><u>332,975</u></b>
<b>Pension Reserve Fund:</b>				
Federal Grant Reimbursement	4,265	2,604	1,041	1,881
Interest Not Refunded	12	2,394	951	965
Excess Investment Income	8,070,168	(3,867,746)	(2,697,071)	(1,081,569)
<b>Sub Total</b>	<b><u>8,074,444</u></b>	<b><u>(3,862,748)</u></b>	<b><u>(2,695,079)</u></b>	<b><u>(1,078,723)</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$12,724,023</u></b>	<b><u>\$601,315</u></b>	<b><u>\$1,692,615</u></b>	<b><u>\$3,133,694</u></b>

# Stoneham Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2003**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>				
	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Annuity Savings Fund:</b>				
Refunds to Members	\$1,289	\$48,996	\$33,644	\$44,216
Transfers to other Systems	<u>123,579</u>	<u>67,982</u>	<u>149,363</u>	<u>18,896</u>
<b>Sub Total</b>	<b><u>124,868</u></b>	<b><u>116,977</u></b>	<b><u>183,007</u></b>	<b><u>63,112</u></b>
<b>Annuity Reserve Fund:</b>				
Annuities Paid	605,086	531,042	489,662	441,766
Option B Refunds	<u>34,005</u>	<u>0</u>	<u>8,187</u>	<u>70,506</u>
<b>Sub Total</b>	<b><u>639,091</u></b>	<b><u>531,042</u></b>	<b><u>497,849</u></b>	<b><u>512,273</u></b>
<b>Pension Fund:</b>				
Regular Pension Payments	2,864,734	2,431,852	2,237,933	2,012,813
Survivorship Payments	202,322	199,377	186,112	177,112
Ordinary Disability Payments	84,041	85,675	84,412	92,154
Accidental Disability Payments	560,245	553,426	530,178	503,603
Accidental Death Payments	248,440	237,951	259,418	298,044
Section 101 Benefits	54,029	54,992	52,367	51,107
3 (8) (c) Reimbursements to Other Systems	103,463	74,131	80,326	68,486
<b>Sub Total</b>	<b><u>4,117,275</u></b>	<b><u>3,637,404</u></b>	<b><u>3,430,747</u></b>	<b><u>3,203,318</u></b>
<b>Military Service Fund:</b>				
Return to Municipality for Members Who				
Withdrew Their Funds	<u>0</u>	<u>1,814</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>				
Salaries	133,309	126,277	118,589	109,114
Legal Expenses	12,539	11,996	8,466	8,021
Custodial Fees	0	0	0	6,594
Medical Expenses	0	32	62	27
Travel Expenses	6,632	4,023	3,797	6,052
Administrative Expenses	13,588	12,629	22,179	19,020
Furniture and Equipment	0	1,362	2,764	4,536
Service Contracts	7,805	0	0	0
Management Fees	154,660	147,450	154,522	159,610
Fiduciary Insurance	3,519	0	0	0
Consultant Fees	<u>0</u>	<u>0</u>	<u>17,944</u>	<u>20,000</u>
<b>Sub Total</b>	<b><u>332,052</u></b>	<b><u>303,768</u></b>	<b><u>328,324</u></b>	<b><u>332,975</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$5,213,287</u></b>	<b><u>\$4,591,005</u></b>	<b><u>\$4,439,927</u></b>	<b><u>\$4,111,677</u></b>

# Stoneham Retirement System

## INVESTMENT INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2003**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Investment Income Received From:</b>				
Cash	4415.07	8159.04	\$19,479	\$48,233
Short Term Investments	0	0	0	0
Fixed Income	0	0	0	688,125
Equities	0	0	0	742,725
Pooled or Mutual Funds	<u>1,186,476</u>	<u>1,172,110</u>	<u>1,255,388</u>	<u>158,314</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>1,190,891</u></b>	<b><u>1,180,269</u></b>	<b><u>1,274,866</u></b>	<b><u>1,637,397</u></b>
<b>Plus:</b>				
Realized Gains	1,137,401	53,090	269,488	2,778,654
Unrealized Gains	7,194,183	3,785,553	5,069,364	5,382,605
<b>Sub Total</b>	<b><u>8,331,584</u></b>	<b><u>3,838,643</u></b>	<b><u>5,338,852</u></b>	<b><u>8,161,259</u></b>
<b>Less:</b>				
Paid Accrued Interest on Fixed Income Securities	0	0	0	(66,258)
Realized Loss	(35,732)	(1,133,028)	(478,762)	(783,185)
Unrealized Loss	(839,620)	(7,182,895)	(8,205,491)	(9,137,230)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>(255,904)</u>
<b>Sub Total</b>	<b><u>(875,352)</u></b>	<b><u>(8,315,923)</u></b>	<b><u>(8,684,252)</u></b>	<b><u>(10,242,576)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>8,647,123</u></b>	<b><u>(3,297,011)</u></b>	<b><u>(2,070,534)</u></b>	<b><u>(443,920)</u></b>
<b>Income Required:</b>				
Annuity Savings Fund	91,277	131,243	170,690	187,514
Annuity Reserve Fund	153,537	135,671	127,488	117,121
Military Service Fund	89	52	35	38
Expense Fund	<u>332,052</u>	<u>303,768</u>	<u>328,324</u>	<u>332,975</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>576,956</u></b>	<b><u>570,735</u></b>	<b><u>626,538</u></b>	<b><u>637,648</u></b>
Net Investment Income	<u>8,647,123</u>	<u>(3,297,011)</u>	<u>(2,070,534)</u>	<u>(443,920)</u>
Less: Total Income Required	<u>576,956</u>	<u>570,735</u>	<u>626,538</u>	<u>637,648</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$8,070,168</u></b>	<b><u>(\$3,867,746)</u></b>	<b><u>(\$2,697,071)</u></b>	<b><u>(\$1,081,569)</u></b>



## Stoneham Retirement System

### **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003**

	<b>BOOK VALUE*</b>	<b>MARKET VALUE</b>	<b>PERCENTAGE OF TOTAL ASSETS</b>	<b>PERCENTAGE ALLOWED*</b>
Cash	\$24,112	\$24,112	0.06%	100
PRIT Cash Fund	730,421	730,421	1.77%	
PRIT Core Fund	40,619,861	40,619,861	<u>98.18%</u>	100
<b>GRAND TOTALS</b>	<b><u>\$41,374,395</u></b>	<b><u>\$41,374,395</u></b>	<b><u>100.00%</u></b>	

\* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2003**, the rate of return for the investments of the **Stoneham** Retirement System was 26.23%. For the five year period ending December 31, **2003**, the rate of return for the investments of the **Stoneham** Retirement System averaged 4.64%. For the 19-year period ending December 31, **2003**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Stoneham** Retirement System was 10.30%.

# **Stoneham Retirement System**

## **SUPPLEMENTARY INVESTMENT REGULATIONS**

### **FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003**

The **Stoneham** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

November 17, 1988

(1) Real estate investments shall not exceed 5% of the total book value of the portfolio at the time of purchase and shall consist of real estate trusts and limited partnerships, provided that:

- (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a limited partner be required to participate in the selection of a general partner, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and
- (b) such trustees or general partners retain authority in the decision making process, and
- (c) should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

October 9, 1990

20.04(6) Taxable obligations issued by instrumentality's of U.S. states, provided such obligations not exceed 10% of the fixed income portfolio and are included in the fixed income allocation as required by regulation 840 CMR 20.03(2).

20.04(7) U.S. dollar denominated obligations of the Canadian Provinces and Canadian corporations traded in U.S. security markets, provided such obligations not exceed 10% of the fixed income portfolio and are included in the fixed income allocation as required by regulation 840 CMR 20.03(2).

January 15, 1991

20.07(9) Commingled real estate equity trusts shall not exceed 10% of the total book value of the portfolio at the time of purchase provided that:

- (a) trust participants do not participate in the selection of trustees and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and
- (b) such trustees retain authority in the decision making process, and
- (c) should an investment in a trust result in the direct ownership of real estate, such shall be permitted only until such time as divestiture is prudent.

April 6, 1992

20.06(8) Turnover of fixed income investments shall not exceed 300% annually, as measured by the greater of purchases or sales relative to beginning market value.

## **Stoneham Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (CONTINUED)**

#### **FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003**

20.07(6) Turnover of equity investments shall not exceed 200%, annually, as measured by the greater of purchases or sales relative to beginning market value for the first year Independence Investment Associates is retained, and 100% thereafter.

March 24, 1994

20.03(1) Equity investments shall not exceed 40% of the portfolio valued at market, including international equities which shall not exceed 5% of the portfolio valued at market.

20.04(1) United States based corporations and equities of foreign corporations.

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

January 25, 1996

840 CMR 21.00: Prohibited Investments

(2) Futures Contracts other than as follows:

(a) Forward Currency Contracts may be written against securities in the international portfolio by an investment advisor registered under the Investment Advisors Act of 1940 and who has been granted a waiver from PERAC for international investments.

(b) Forward Currency Contracts may be written against securities in the international portfolio to a maximum of twenty-five percent (25%) of the international portfolio's non-dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

July 25, 1996

20.03(1) Equity investments shall not exceed 40% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

May 7, 1997

20.03(1) Equity investments shall not exceed 60% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

# **Stoneham Retirement System**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003**

### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all **Stoneham** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

# **Stoneham Retirement System**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

### **FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003**

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## Stoneham Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Stoneham** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

January 30, 1985

The Board shall have full jurisdiction to determine the eligibility of employees for membership in all cases involving part-time, provisional, temporary, temporary provisional, seasonal or intermittent employment.

Membership in the Stoneham Retirement System shall consist of all employees of the Town who are eligible under the General Laws pertaining to such membership; including part-time and temporary employees when employment is definitely for a period of more than seven (7) days' but excluding evening school instructors, employees of the recreational programs

## **Stoneham Retirement System**

### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (CONTINUED)** **FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003**

under the Park Department, school employees who contract as coaches in school sports programs, teachers employed during summer months and teacher aides under a college coop plan, police matrons, library pages, traffic directors, Unicorn part-time temporary personnel including; (golf course/arena laborers, rink guards, cashiers) and part-time cafeteria workers; and the retirement deduction for employees who are members shall be made from the date of employment.

Every employee who becomes a member of the Stoneham Retirement System must fill out the necessary forms as furnished by the Retirement Board and name a beneficiary. At the time of enrollment, he/she must also furnish the Board with a copy of their birth certificate, and if a veteran, a copy of the Discharge of Military Service which shall be kept on file by the Board.

Persons becoming employees after age 65 cannot become members of the system and will have no deductions made from their compensation for retirement unless they have been employed by another governmental unit and a member of the retirement system of that unit. However, notification of employment and record of birth for such employees must be filed with the retirement board and such employees must leave service at the maximum age of their group.

Automatic payroll deductions begin with the first paycheck. The deduction shall be 5%, 7% or 8% of the employees regular compensation but does not include overtime. Once a year in January, a statement will be sent to all members of the system showing the total payroll deductions which have been deposited to their account and the interest which has been added.

No accounts may be borrowed on and if the employee transfers employment from one group to another or to any other town or city within the Massachusetts Retirement System, the account must be transferred also and is not refundable.

Any member who so desires, upon application to the Board of Retirement, may pay into the annuity savings fund additional amounts to be used to increase the amount of annuity at retirement.

Creditable Service:

Prior service issued on the following:

month of full-time employment = 1 month credit

enough part-time employment to make a month of

full-time = 1 month of credit.

Service subsequent to July 1, 1937:

1. Part-time, temporary, etc.: time for time based on normal work week of the department.

## **Stoneham Retirement System**

### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (CONTINUED)** **FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003**

2. Cafeteria Workers:  
full-time work week during all  
of school year = 1 year creditable service.

3. School traffic directors:  
full school year (every school day) = 4 months creditable service.

#### **Deductions:**

No deductions shall be made from overtime wages, or extra labor, or extra hire account to employees when it is in addition to specified salary from the same department. Firefighters working in off duty hours as Groundmen or Linemen are excepted as being overtime due to the fact that specific rates are set forth for these classifications in the Wage and Classification Schedule and the money appropriated for the purpose is specific. To forward the required form six (6) weeks to two (2) months prior to date an employee will attain maximum age in his/her respective group and that the Board of Selectmen shall also be notified. P.E.R.A.C. regulation 840 CMR 11:00 shall apply for employees age 70 who are classified in Group 1.

That a member's medical records and individual account cards are not a public record.

July 16, 1986

Membership in the Stoneham Retirement System shall consist of all employees of the Town who are eligible under the General Laws pertaining to such membership; including part-time and temporary employees when employment is definitely for a period of more than seven (7) days; but excluding evening school instructors, employees of the recreational programs under the Park Department, school employees who contract as coaches in school sports programs, teachers employed during summer months and teacher aides under a college coop plan, police matrons, library pages, traffic directors, Unicorn part-time temporary personnel including: (golf course/area laborers, rink guards, cashiers) part-time cafeteria workers, and student engineers under a college co-op plan; and the retirement deduction for employees who are members, shall be made from the date of employment.

December 4, 1991

Membership in the Stoneham Retirement System shall consist of all employees of the Town who are eligible under the General Laws Chapter 32 pertaining to such membership; including part-time and temporary employees when employment is definitely for a period of more than seven (7) days and who work a scheduled minimum of twenty hours per week; but excluding evening school instructors, employees of the recreational program under the part department, school employees who cont ract as Coaches in school sports programs, Teachers employed during summer months and Teachers Aides under a college co-op plan,



## Stoneham Retirement System

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (CONTINUED) **FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003**

Police Matrons, Library Pages, Traffic Directors, Unicorn part-time temporary personnel including: (Golf Course/Area laborers, Rink Guards, Cashiers) part-time Cafeteria Workers, and Student Engineers under a college co-op plan; and the retirement deduction for employees who are members, shall be made from the date of employment.

May 18, 1993

Membership in the Stoneham Contributory Retirement System shall consist of all employees of the Town of Stoneham who are eligible under the General Laws, Chapter 32 pertaining to such membership; including part-time and temporary employees when employment is definitely for a period of more than seven (7) days and who work a scheduled minimum of twenty hours per week; school personnel (cafeteria workers, teacher aides, and the ten month school secretaries) however, who work full time for the school year (10 months) are all given one year of creditable service for each school year that they work, but excluding evening school instructors, employees of the recreational program under the park department, school employees who contract as Coaches in school sports programs, Teachers employed during summer months and Teacher Aides under a college co-op plan, Police Matrons, Library Pages, Traffic Directors, Unicorn part-time temporary personnel including: (Golf Course/Arena laborers, Rink Guards, Cashiers) part-time Cafeteria Workers, and Student Engineers under a college co-op plan; and the retirement deductions for employees who are members, shall be made from the date of employment.

September 6, 1994

Membership in the Stoneham Contributory Retirement System shall consist of all employees of the Town of Stoneham who are eligible under the Massachusetts General Laws Chapter 32 pertaining to such membership; including part-time and temporary employees when employment is definitely for a period of more than seven (7) days and who work a scheduled minimum of twenty hours per week; school personnel (cafeteria workers, teachers aides, and the ten (10) month school secretaries) however, who work full time for the school year (10 months) are all given one year creditable service for each school year that they work, but excluding evening school instructors, employees of the recreational program under the parks department, school employees who contract as Coaches in school sports programs, Teachers employed during summer months and Teacher Aides under a college co-op plan, Police Matrons, Library Pages, Traffic Directors, Unicorn part-time temporary personnel including: (Golf Course/Arena Laborers, Rink Guards, Cashiers) part-time Cafeteria Workers, and Student Engineers under a college co-op plan; and the retirement deduction for employees who are members, shall be made from the date of employment. The Superannuation Retirement Benefits of those members in the Stoneham Contributory Retirement System who only worked part time for their entire working career, the creditable service will be calculated at full- time and the three year average will be calculated at their actual salary at the part time rate.

March 23, 1995

Membership in the Stoneham Contributory Retirement System shall consist of all employees

## **Stoneham Retirement System**

### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (CONTINUED)** **FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003**

of the Town of Stoneham who are eligible under the Massachusetts General Laws Chapter 32 pertaining to such membership; including part-time and temporary employees when employment is definitely for a period of more than seven (7) days and who work a scheduled minimum of thirty (30) hours per week: school personnel (cafeteria workers, teacher aides, and the ten (10) month school secretaries) however, who work full time for the school year (10 months) are all given one year creditable service for each school year that they work, but excluding evening school instructors, employees of the recreational program under the park department, school employees who contract as Coaches in school sports programs, Teachers employed during summer months and Teacher Aides under a college co-op plan, Police Matrons, Library Pages, Traffic Directors, Unicorn part-time temporary personnel including: (Golf Course/Arena Laborers, Rink Guards, Cashiers) part-time

Cafeteria Workers and Student Engineers under a college co-op plan; and the retirement deduction for employees who are members shall be made from the date of employment. The Superannuation Retirement Benefits of those members in the Stoneham Contributory Retirement System who only worked part-time for their entire working career, the creditable service will be calculated at full time and the three year average will be calculated at their actual salary at the part-time rate.

August 13, 1999

Any member of the Stoneham Retirement System who has on or before May 1, 1999 purchased part-time service previously rendered in the Town of Stoneham and retires on or after May 1, 1999 shall be granted full-time credit for such service. All creditable service rendered on or after May 1, 1999 by the members of the Stoneham Retirement System as employees of the Town of Stoneham shall be deemed to be full- time service

February 11, 2003

Pursuant to the authority vested in the Commission under G.L. c. 7, § 50, the Board's supplementary rule regarding Authorization for Travel and Travel Related Expenses is approved.

## Stoneham Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### **FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003**

##### NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Ronald J. Florino

Appointed Member: Joseph A. Desisto                      Term Expires:

Elected Member: William E. Abbott                      Term Expires: 12/16/05

Elected Member: James J. McDermott Jr.                      Term Expires: 12/16/05

Appointed Member: Janice T. Houghton                      Term Expires: 01/06/06

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	
Ex officio Member:	)	\$10,000,000.00
Elected Member:	)	Travelers Property Casualty
Appointed Member:	)	
Staff Employee:	)	

# Stoneham Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

### FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **Mellon** as of **January 1, 2003**.

The actuarial liability for active members was	\$30,222,953
The actuarial liability for retired members was	38,360,250
The total actuarial liability was	<b>68,583,203</b>
System assets as of that date were (actuarial value)	41,590,531
The unfunded actuarial liability was	<b>\$26,992,672</b>
The ratio of system's assets to total actuarial liability was	60.6%
As of that date the total covered employee payroll was	\$11,290,975

The normal cost for employees on that date was 7.70% of payroll

The normal cost for the employer was 5.90% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum

**Rate of Salary Increase:** 5.00% per annum

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2003

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/1997	\$ 28,596,379	\$ 43,592,842	\$ 14,996,463	65.6%	\$ 8,812,708	170.2%
1/1/1999	\$ 37,223,254	\$ 53,112,197	\$ 15,888,943	70.1%	\$ 8,651,911	183.6%
1/1/2001	\$ 41,395,778	\$ 61,670,998	\$ 20,275,220	67.1%	\$ 10,805,406	187.6%
1/1/2003	\$ 41,590,531	\$ 68,583,203	\$ 26,992,672	60.6%	\$ 11,290,975	239.1%

## Stoneham Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Superannuation	5	4	15	9	12	9	12	12	3	21
Ordinary Disability	0	1	1	0	0	0	0	0	2	0
Accidental Disability	3	1	2	1	1	0	2	1		1
<b>Total Retirements</b>	<b>8</b>	<b>6</b>	<b>18</b>	<b>10</b>	<b>13</b>	<b>9</b>	<b>14</b>	<b>13</b>	<b>5</b>	<b>22</b>
Total Retirees, Beneficiaries and Survivors	264	264	269	273	273	275	283	283	281	296
Total Active Members	293	294	290	290	279	336	359	307	339	304
<b>Pension Payments</b>										
Superannuation	\$1,521,294	\$1,524,679	\$1,532,179	\$1,714,018	\$1,784,856	\$1,935,538	\$2,012,813	\$2,237,933	\$2,431,852	\$2,864,734
Survivor/Beneficiary Payments	138,393	134,145	140,279	156,422	187,659	199,764	177,112	186,112	199,377	202,322
Ordinary Disability	61,766	67,975	86,051	88,122	88,978	90,372	92,154	84,412	85,675	84,041
Accidental Disability	337,915	385,201	366,004	443,201	478,035	455,981	503,603	530,178	553,426	560,245
Other	<u>267,047</u>	<u>275,208</u>	<u>316,033</u>	<u>298,484</u>	<u>300,562</u>	<u>407,568</u>	<u>417,636</u>	<u>392,111</u>	<u>367,074</u>	<u>405,932</u>
<b>Total Payments for Year</b>	<b><u>\$2,326,415</u></b>	<b><u>\$2,387,208</u></b>	<b><u>\$2,440,546</u></b>	<b><u>\$2,700,247</u></b>	<b><u>\$2,840,090</u></b>	<b><u>\$3,089,223</u></b>	<b><u>\$3,203,318</u></b>	<b><u>\$3,430,747</u></b>	<b><u>\$3,637,404</u></b>	<b><u>\$4,117,275</u></b>

PERAC

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